From:	Fegel Gary <gary@fegel.com>
To:	ehud barak <ehbarak1@gmail.com>
CC:	
Date:	Thu, 10/10/2013 2:06:56 PM
Subject:	Re: Schedules

Hi Ehud

2) ok, I will let them know, see you then.
3) ok (same place)….did you also manage to book some other cyber guys? Anyhow, looking forward…
4) LME

JPM and GS have to sell their "physical metal business" in the next 6 years. This business is pretty much the warehousing business and a little bit of trading around that. So it's not really a physical business with real customers etc such as Glencore, but a warehousing business with a bit of extras. JPM has some physical customers and GS almost none. Both warehousing businesses are built around the LME rules and therefore the value is a pure assumptions of what's going to happen on that front. The reason they sell now instead of in 6 years is because they want to get out of commodities (or at least the physical part) asap because there is too much pressure for the obvious reasons. The value of the warehouse is the metal that sticks inside and behind the LME rules, so the metal, accruing to today's rules, create cash-flow in the form of rental returns, that are easy to calculate and fix. It's almost like a bond, buit with a much better yield. One can calculate such cash flows (assuming the rules won't change), discount that, deduct some value for risk and tget to the price of the business. Such value is about 300m for Metro (GS) and around 120m for Henry Bath. The difference between the two is that most metal in Metro belongs to parties other than GS and GS receives rent. In HB almost all metal belongs to JPM, they don't receive rent but they can finance very cheap and play contangoes. That's why there is a long queue in Detroit (GS) and no queue in Rotterdam (HB). So the value for metro is a discounted rent return and the value for HB is the metal premium.

I looked at buying Metro when I was still in Glencore and I looked at buying all the metal from HB. It doesn't make sense to buy HB itself, but the metal in it (which is different in Metro, because you have to buy Metro itself to get the stream of rent). But both depend on the LME rules: If they change, then the stream of rent will change and the premiums will fall, so hurting both values for different reasons.

Glencore (after I left) wanted to buy the metal from HB again, but didn't because they don't know how to handle the size given that I left and the guys there didn't want to take this risk. You can either buy the metal, you can buy the warehouse or you can buy the warehousing company. If I was still there, I would buy the HB warehouses, sell it on to the second biggest stockholder (that's a company called Steinweg) and then let all the metal go to the LME. Steinweg has 800k tons and about the same is in HB warehouses. If this is all one company, they can let go of 1.6m tons together and create a queue as big as Glencore's in Flushing in just 1 day, without having to move a single ton physically. The value of that queue is about 400m - and to buy the HB warehouses is around 120. Actually it is cheaper to buy the filled up warehouses than the underlying metal, because with the warehouses comes all sort of leases etc, that JPM wants to get rid of. I even told the guys at Glencore that this is the right trade and they have spoken to Steinweg, who obviously loves the idea. However, I heard from my sources in JPM that Glencore told them 2 weeks ago that they have no interest anymore. Basically they don't have the guts to execute such a big trade.

These are the sort of things and trades that I have done when I was in Glencore - that's the fun part

of commodity trading. So you are right - there are always opportunities. And it seems that biggest guys aren't as interested anymore, so that, in turn, brings opportunities for the smaller guys.

On 09. Oct .2013, at 18:13, ehud barak wrote:

> Hi Gary
> 0) My fault. Shouldn't happen. No significant damage, fortunately.
> 1) WCK. I tend to think the same. But let's discuss it when we meet.
> 2) Pavel ,Monday 0930 is ok. The address: 1, sderot Shaul Hamelech Tel Aviv, 4th fl.
> 3)For our meeting Wednesday Oct 16 , 1000-1130 is ok with me. (I suggest same place).
> Friday morning could be an alternative if the need arises.
> 4) LME. Didn't it end with JPM (and prob GS) about to sell the Detroit warehouses?
> Namely moving out of the Physical markets.
> Best
> EB
> Sent from my iPhone